



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY**

**Division of Local Finance  
Water and Wastewater Financing Board  
Suite 1700 James K. Polk State Office Building  
505 Deaderick Street Nashville, Tennessee 37243-0274  
Phone (615) 401-7976 Fax (615) 532-5232**

December 31, 2008

The Honorable Phil Bredesen  
Governor of Tennessee  
First Floor, State Capitol  
Nashville, TN 37243

Dear Governor Bredesen:

The Water and Wastewater Financing Board (Board) is submitting to you its annual report for 2008.

On behalf of each member of the Board, I would like to extend our appreciation to the employees of the Comptroller of the Treasury and the Municipal Technical Advisory Service for their valuable contributions to the Board this year. Without their assistance, the Board would not have been as successful.

The goal of the Board is to diligently strive to achieve our legislative mandates and to extend our services to the citizens of the State of Tennessee. We appreciate your continued confidence in and support of the Board. If I, or any member of the Board, can be of further assistance to you and your staff, please feel free to contact me at (615)401-7910.

Sincerely,

Ann Butterworth  
Chairperson

Attachments

Cc: Honorable John G. Morgan, Comptroller of the Treasury

# **ANNUAL REPORT OF THE WATER AND WASTEWATER FINANCING BOARD**

January 2008 through December 2008

Prepared by

The Water and Wastewater Financing Board  
and  
The Comptroller of the Treasury  
January 2009

## **ANNUAL REPORT FOR 2008**

The 95<sup>th</sup> General Assembly created the Wastewater Financing Board (Board) in 1987. The Board was empowered to effect reasonable user rate increases or system improvements through negotiated consolidation of certain wastewater facilities. In July 1997, public water systems were also placed under the jurisdiction of this board; two members were added and the name was changed to Water and Wastewater Financing Board. The Board promulgated its rules and regulations and held its first meeting in April 1988. On May 3, 2007, Public Chapter 86 was signed transferring the administrative responsibility of the Board to the Comptroller of the Treasury. The Board is currently in the process of rulemaking to reflect such legislative changes as well as to establish guidelines for water loss.

The State of Tennessee currently has 348 incorporated municipalities and approximately 185 utility districts. Municipalities operate approximately 225 water and 227 wastewater systems. Utility districts operate approximately 182 water and 18 wastewater systems. Counties operate eleven water and wastewater systems and four water-only systems.

The Division of Municipal Audit, Comptroller of the Treasury, refers local governments operating financially distressed water and wastewater systems to the Board. Financially distressed utility systems are defined as having a deficit total net assets in any one year, having a negative change in net assets for a period of three consecutive years, or as being currently in default on any debt instruments.

Staff to the Board in the Office of the Comptroller of the Treasury reviews the referred cases and prepares presentations to the Board. Staff, assisted by the Municipal Technical Advisory Service, works with the municipal utility systems to develop strategies to comply with state law.

The Board held four meetings during 2008 in which eight case studies, two status reports, and five compliance reports were presented to the Board. The Board also dealt with rulemaking procedures and water loss guidelines. Legislation passed in 2008 (Public Chapter 779) required the Board to conduct a study of municipalities comparing the inside and outside water and sewer rates and inside and outside water and sewer tap fees. That report with recommendations was submitted to the Governor and the speakers of both houses in early January 2009.

If a municipal utility system has not reached compliance in the area of financial distress, the Board monitors the cases previously presented to determine if the approved recommended compliance plans are working as proposed. If not, the Board requires the system to meet with the Board to explain what steps need to be taken to solve their financial distress.

The Board has addressed the financially distressed condition of 180 systems since its creation. Currently there are nine (9) systems under the jurisdiction of the Board. This reflects a 95% compliance rate.

During the 2008, the General Assembly voted to continue the Water and Wastewater Financing Board until June 30, 2014 (Public Chapter 952).

**CASES PRESENTED  
TO THE  
WATER AND WASTEWATER FINANCING BOARD  
DURING 2008**

**System**

**County**

**Case Studies**

City of Bells  
Town of Bolivar  
Duck River Utility Commission  
City of Friendship  
City of Jellico  
City of Millington  
City of Morristown  
Town of Petersburg

Crockett  
Hardeman  
Coffee  
Crockett  
Campbell  
Shelby  
Hamblen  
Lincoln

**Status Reports**

City of Hohenwald  
City of Kenton

Lewis  
Gibson/Obion

**Compliance Reports**

Town of Dover  
City of Dyersburg  
Town of Gates  
City of Hohenwald  
City of Jellico

Stewart  
Dyer  
Lauderdale  
Lewis  
Campbell

**LOCAL GOVERNMENTS  
CURRENTLY UNDER THE JURISDICTION OF THE  
WATER AND WASTEWATER FINANCING BOARD**

**System**

City of Bells  
Town of Bolivar  
Duck River Utility Commission  
City of Friendship  
City of Kenton  
City of Millington  
City of Morristown  
Town of Petersburg  
City of Whitwell

**County**

Crockett  
Hardeman  
Coffee  
Crockett  
Gibson/Obion  
Shelby  
Hamblen  
Lincoln  
Marion

**CURRENT MEMBERS  
OF THE  
WATER AND WASTEWATER FINANCING BOARD**

Ms. Ann Butterworth, Chairperson  
Comptroller of the Treasury Designee

Mr. Ken Pointer  
Commissioner of the Tennessee Department of Environment and  
Conservation Designee

Mr. Benjamin Bolton  
Representing Manufacturing Interests  
Williamson County

Mr. Grey Scott, General Manager  
Gibson County Municipal Water District  
Gibson County

Ms. Daisy Madison, City of Chattanooga Finance Director  
Representing Minority Interests/Government Finance  
Hamilton County

Mr. Richard Phillips, General Manager  
Northeast Knox Utility District  
Knox County

Mr. Joseph Prochaska  
Representing Environmental Interests  
Davidson County

Ms. Shirley Fox Rogers  
Representing Municipalities  
Campbell County

Mr. Kenneth D. Wiggins  
Director of Engineering and Public Works, City of Alcoa  
Representing Municipal Water Utility  
Blount County

**COMPTROLLER OF THE TREASURY  
STAFF TO THE  
WATER AND WASTEWATER FINANCING BOARD**

Mr. David Bowling  
Director, Division of Local Finance

Ms. Joyce Welborn  
Board Coordinator, Division of Local Finance

Mr. Bobby Lee  
General Counsel to the Comptroller

Mr. Dennis Dycus  
Director, Division of Municipal Audit

Mr. Bill Case  
Manager, Division of Municipal Audit